CARDINAL NEWMAN COLLEGE

BOARD OF GOVERNORS – AUDIT COMMITTEE

A meeting of the above Committee was held at **4.00 p.m.** on **Wednesday 22 May 2019** in the Conference Room at the College.

Members present:	**Officers in attendance:**
Peter Halpin (F)	Bob Deed, Clerk
John Calvert (F)	Katie O'Reilly, Vice Principal Finance & Resources
Bob Eastwood (F)	Claire Riding, College Accountant
Peter Towers (F)	
	Others in attendance:
	Gareth Hitchmough, Mazars
	Ian Pinches, Mazars

MINUTES

1   Opening prayer

The meeting commenced with a prayer.

2   Welcome, introductions and apologies

There were no apologies to be recorded.

3   Declarations of interest

There were no declarations of interest.

4   Minutes of the meeting on Wednesday 17 October 2018

The minutes of the meeting held on Wednesday 17 October 2018 were accepted as a correct record.

5   Matters arising from the minutes

The Clerk noted that the presentation on Major Incident policy and planning would be at the next meeting of the Committee as the Vice Principal leading on the policy was at an Examiners meeting. The policy would also be considered by the Finance & Premises Committee meeting in June.

6   Presentation on Network related risks

The IT Manager and Networks Manager presented on Network risks.

The key risks were outlined:

1) Network Infrastructure failure results in loss of network resources during term time for an extended period. The key controls include: supply for redundant switches, hubs and routers; a Service Support contract with Meraki for critical infrastructure components.

2) Critical system failure for an extended period. They key controls include: critical business servers are kept with a standard three year warranty guaranteeing a 24 hour fix; backups of critical business servers taken and tested for restore validity; an on-going review of core business server kit; backup and testing. The College is increasingly moving to infrastructure, platform and software "as a Service".

3) Serious Network security breach with loss of IT facilities for an extended period and regulatory implications. The key controls include: monitoring and recording non-authorised access attempts; maintaining a firewall; managing access rights; ensuring up-to-date Anti-Virus software; monitoring security logs and investigate potential breach areas; testing security with attempted attacks. The role of the Microsoft Intelligent Security Graph and the range of Threat Protection tools was highlighted, including multi-level authentication, Advance Threat Management, device management.

A Committee member asked if the College's data could be held to ransom. The Network Manager assured the Committee that the College undertook due diligence on cloud providers and ensured that Microsoft data centres were UK-based.

A Committee member asked about the reliance upon the internet connection. The Network Manager explained that the College had two connections with separate providers to different locations.

The Chair asked the external audit partner, Gareth Hitchmough, for his perspective. The external audit partner noted the increasing reliance on the cloud and gave an example of how it could be problematic. The Network Manager said that this risk was currently mitigated at the College by a hybrid system. He outlined that there were other options to manage risks, including further internet connections.

The Chair asked about the size of the Network team. The IT Manager outlined the team structure as well as the use of external specialists, often accessed via Software as a Service contracts.

The Chair thanked the Managers for their informative presentation.

The Chair asked about when the last review was – the Clerk confirmed that the last external assurance review was in 2014 although the Network team regularly commissioned penetration tests. The Clerk noted that the last review was by the College's previous internal auditors. The Committee noted that the Managers had demonstrated expertise. The Chair said that external assurance would need to be at the right level - ideally as a temperature test of the strategy.

The Committee asked the VP Finance and Resources to explore the options for a high-level external review of the College's Network strategy and management of IT risks.

[Bob Eastwood left the meeting]

7   FE Commissioner's letter

The Clerk noted that the FE Commissioner had written to the Chairs and Principals of further education and sixth form colleges. The Committee considered the letter and appendix.

The Vice Principal Finance and Resources said that a 24 month cashflow would be incorporated into financial reporting at the College as recommended by the FE Commissioner's letter. She noted that such long cashflows were currently done for projects but not circulated so widely and frequently.

The Clerk was asked about current circulation of College management accounts. He noted that the termly Finance Reports went to the Senior Leadership Team and Finance & Premises Committee before full Governing Body. The monthly Management Accounts were considered by the SLT and then circulated to the Chair of the Governing Body, the Vice Chair and the Vice Chair of the Finance & Premises Committee. He said that following the letter the monthly Management Accounts were being put on the Governors' Sharepoint site with copies from January 2019 being uploaded.

8   Progress report on audit recommendations

The Clerk introduced the two reports on recommendation implementation which related to his areas of responsibility as Clerk and as Data Protection Officer.

The Clerk noted that progress on the action plan for the governance assurance review was reported to both the Audit Committee and the Governance & Search Committee. He noted that only a limited number of recommendations were left.

The Clerk noted that recommendations relating to the DPO role and the data processing agreements were implemented. He said that the completion of the refresh of the Data Asset Register had been started but it was unlikely to be fully completed until the end of the summer. This was part of a wider re-visit of GDPR issues, including training, one year after the May 2018 introduction of GDPR.

9   Update on the assurance plan

The Clerk outlined the assurance review of safeguarding to be undertaken on 10 June by Kathryn Podmore, the former Principal of Birkenhead Sixth Form College who had wide experience as a senior leader and associate inspector. The report would be considered by the next meeting of the Committee.

The Committee asked about the assurance plan for the next meeting. The Clerk suggested that an extract from the risk register should be presented in a similar format to previously highlighting the risks where there was most reliance on existing controls.

The Committee resolved to consider the 2019/20 assurance at its next meeting with a document highlighting those risks with the greatest reliance on stated existing controls.

10   External audit planning document

The external audit partner noted that it was his last Audit Committee as he was approaching ten years so partner rotation was triggered. Charlene Lancaster would be taking over the overseeing of the engagement but was unable to attend due to a prior commitment.

[Father Luiz left the meeting]

The external audit manager, Ian Pinches, outlined the audit scope, approach, timeline and team. He went onto discuss the audit risks and judgemental areas. He noted the significant risks for colleges in general were management override of controls and income recognition. He observed that the issue of going concern were downgraded – reflecting the College's financial health – to the status of a key judgemental area along with the defined benefit scheme assumptions and the depreciation accounting policy.

The external audit manager highlighted the pages on audit independence and key communication points.

The Chair asked if governor training was planned on the insolvency regime. The Clerk informed the Committee that this had been discussed at the Governance & Search Committee and then raised again by the Chair of the Governing Body. He also noted that the insolvency regime had been part of the presentation at last year's SLT/Governors' Conference by John Boyle, one of the FE Commissioner's Team. The Clerk suggested that there should be a session at the first Governing Body of 2019/20.

The external audit partner noted the risks of Brexit. He said that Mazars were now suggesting that Brexit paragraphs be included in accounts. The Committee noted might have direct and indirect consequences for the College. The Clerk as Vice Principal Finance & Resources noted that a number of students and applicants would be non-UK EU citizens currently funded as "Home Students" although the funding at risk was not significant.

The Committee noted the report and recommended the draft engagement letter, including the audit fees, to the Governing Body.

11   Risk register – termly update

The Vice Principal Finance & Resources introduced the termly update of the risk register. She noted that there were no additional risks and no significant re-wording of risks. She highlighted that the School Direct risk had been removed as the College is moving from being a School Direct lead with Edge Hill University to participating in the Catholic Teaching Alliance scheme with a lower level of exposure.

The Vice Principal Finance & Resources noted that the SLT were to have a risk management workshop to refresh the Risk Register. She expected that this would result in new risks such as around the Maths School.

The Chair welcomed the proposed SLT refresh of the risk register.. He also noted the need to consider any Brexit-related risks.

12   Committee self-assessment including review of terms of reference

The Clerk introduced the paper and reminded the Committee that the committee self-assessments were intended to feed into the College's governance self-assessment. The Committee were asked to consider whether the terms of reference were fit-for-purpose and whether the Committee was effectively fulfilling its remit. The Clerk noted that the terms of reference were based on the mandatory requirements of the Post-16 Audit Code of Practice and that no changes were required this year.

There were no concerns or issues raised by the Committee.

The Chair noted that the Committee's Annual Report in the autumn term, in effect, included a self-review exercise.

13   External audit – benchmarking of fees

The external audit partner noted that the level of external audit fees reflected the control environment for the College. He also said that there was a de minimis level of audit fee for a company which had a bearing on Newman Business Limited.

[The external audit partner and the audit manager left the meeting]

The Committee considered the benchmarking document showing external audit fees for college outside London and the south-east for 2016/17 which had been circulated in February. The Clerk tabled an updated document showing 2017/18 audit fees. The Committee noted that the College's audit fees were reasonable and comparable with other colleges which were generally smaller.

The Chair observed that a tendering exercise was unlikely to lower audit fees, as they were competitive, or raise quality. He noted that risks to independence and objectivity were addressed by the audit partner rotation process which had been commenced.

The Committee agreed that there was no need for a tendering exercise unless it was a regulatory requirement.

The Committee asked the Clerk to check whether the Audit Code of Practice or any other regulatory document mandated a particular frequency of audit tendering.

14   Determination of any items to be treated as Confidential

There were no items deemed confidential.

15   Date and time of the next meeting

The Chair noted that it was the last Committee meeting for John Calvert. The Committee thanked John Calvert for his contribution to the Committee and the College more generally.

The Committee noted that its next meeting of the Committee was provisionally scheduled to be held at 4.00 p.m. on Wednesday 16 October 2019.